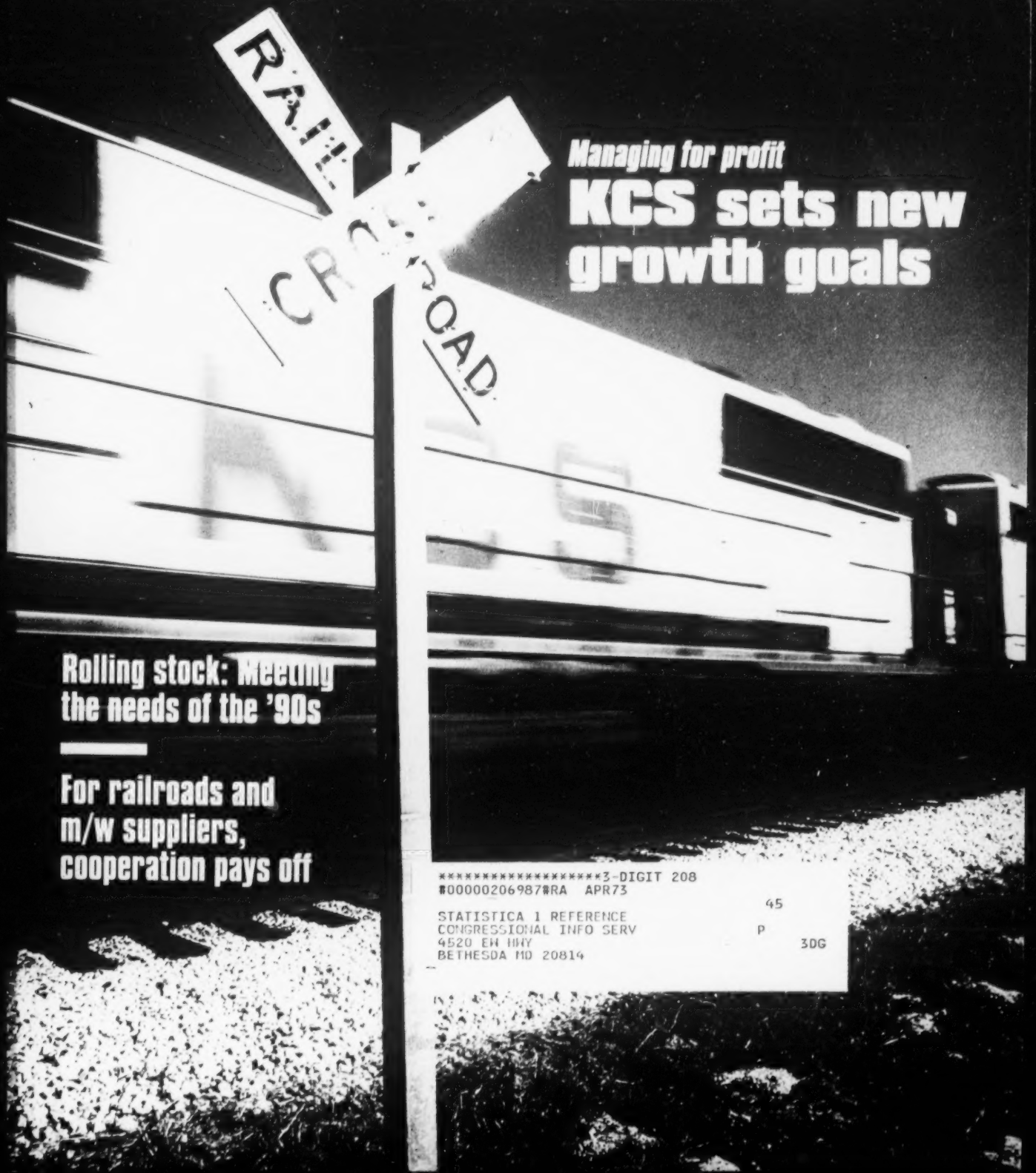
September 1992

Railway Age

...for the new age of railways and rail transit



Managing for profit

KCS sets new growth goals

Rolling stock: Meeting the needs of the '90s

For railroads and m/w suppliers, cooperation pays off

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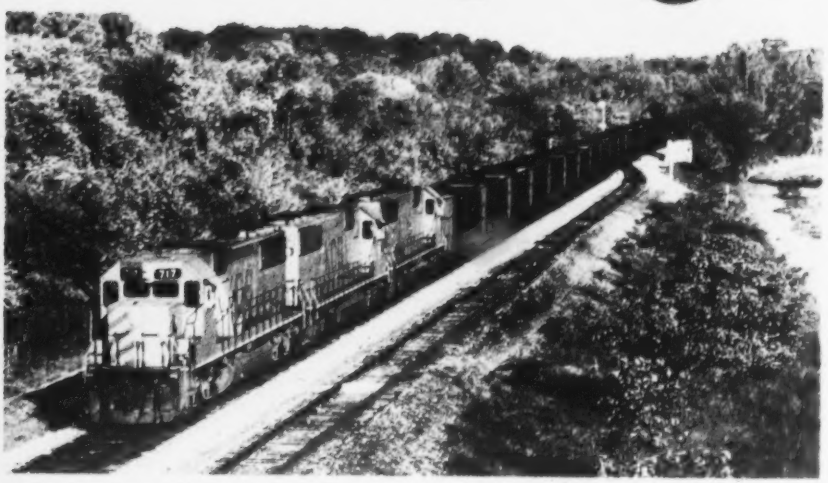

37 Kansas City Southern sets new growth goals
KCS is relying on first-class service, a physical plant in top condition, and an aggressive industrial development program to achieve earnings growth of 10% a year.

49 Freight equipment: Rolling stock for the '90s
Freight equipment suppliers that continued to improve and innovate during the painful shakeout of the '80s now look forward to a consistent if slow upturn.

57 Railroads and m/w suppliers: Joint ventures can pay off
There are some outstanding examples of the benefits that can accrue to both sides when carriers and vendors team up on product R&D. But there aren't enough.

63 Virginia Railway Express: Off to a good start
The fledgling Virginia Railway Express has demonstrated notable ontime performance and reliability. Ridership and revenues are higher than anticipated.

73 Golden Freight Car Awards: SF, C&IM take the Gold
In a close competition, Conrail and Kiamichi win Distinguished Marketing Achievement Awards. Judging was difficult since all entries described notable marketing success stories.

78 Short lines and regionals: Intermodal, short line style
Swiss Colony, the Wisconsin mail order cheese company, had a logistics problem. The Wisconsin Calumet was a key player in arriving at a short-haul intermodal solution.

Departments

6 Industry Outlook
9 Market Outlook
87 VTS News
92 100 Years Ago
94 People in the News
96 New Products
104 Letters
106 Literature
110 Meetings
113 Advertising Sales
113 Advertisers Index
114 Classified
119 Professional Directory

Comment

4 Inside
10 Lines on Labor
13 Financially Speaking
17 Watching Washington
82 Marketing Advocate
120 In Transit

Rail Update

18 CN North America projects big loss
18 ATS to acquire Santa Fe rail mill
18 Conrail begins headquarters move
20 LNG-fueled locomotives subject of new study
20 Miner honored for export excellence
22 Motorola named SP quality vendor
22 UP, C&NW to file for joint control
22 BN teams up with South Orient
22 BN and Zeta-Tech share ASME award
24 DigiCon system ordered for D&RGW
24 SP orders locomotive management system
24 TDX introduces REN extension
24B '91 Waybill Sample now available
24B CSXI targets Pacific Northwest
24B Albuquerque selected for Amtech facility
27 On-dock rail yard is boon to Portland
27 TQM pays off for Alliance
27 IEM acquires Canadian company
27 Mi-Jack to market Superstacker to rails
27 CSXT aids national Lifesaver program
28 Productivity soars at SP's ICTF
28 Stucki will show million-mile truck
28 ARC schedules NAFTA session
28 Tacoma adds two straddle carriers
35 UP refueling facility meets tough criteria

Transit Update

29 Amtrak completes new-route study
29 New York applies for flexible federal funds
30 A British role for CP rail?
30 Cross-county line studied by SEPTA
32 Muni buys Alcatel signal system
32 Battelle to manage Project California
33 Interstate Rail network proposed
34 Amtrak expands Canadian outlets
34 AFC turnstiles get final tests
34 Siemens awards traction contracts

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Market Outlook

Equipment

Conrail: Ordered 138 CoilSHIELD cars from Thrall Car. This is the first production order for the coil steel car which was jointly developed by Thrall Car, Conrail, and Inland Steel Flat Products. The car has five wood-lined transverse troughs for greater coil protection; an insulated, one-piece hood to reduce condensation and promote easier loading and unloading; and premium trucks.

British Rail: Ordered eight Stoneblower track machines from Pandrol Jackson at a cost of $18 million. The machines will be built at Ludington, Mich., and are to be delivered between September 1994 and the spring of 1997.

CN North America: Q-Tron Ltd. of Calgary, Alta., will produce electronic equipment valued at $328,000 for 25 new Dash-8 wide-cab locomotives which General Electric is building for CN. The equipment includes an event recording system, a speed control system, and an alertness safety system. GE is producing the $40 million CN order at a Montreal plant which it acquired from Bombardier in 1990. In conjunction with this order, GE's Montreal plant is also rebuilding 40 locomotives for a U.S. road and will produce 42 new units for export. GE has also produced locomotives in Montreal for Mexico, the Philippines, and Mozambique.

Chinese Ministry of Railways: Awarded four contracts totaling $3.46 million to ENSCO of Springfield, Va., for the supply of two track inspection cars and a variety of research equipment over the next year.

Norfolk Southern: Is converting 2,000 coal hopper cars to gondolas. The work is being done at the Roanoke Shops and is to be completed in March 1993. The converted cars will serve facilities, including utilities and the Lamberts Point coal pier, that employ rotary dumping. Prior to the gondola rebody program, 9,500 cars were rebodied as conventional hoppers. NS has also purchased more than 3,000 new aluminum and steel cars since 1989.

Facilities

Amtrak: Placed an order with Bethlehem Steel for four high speed interlockings to be installed at Attleboro, Mass., Davisville, R.I., Branford, Conn., and Guilford, Conn., in connection with the Northeast High Speed Rail Improvement Project. Installation is to be completed by July 1993.

National Rail Corporation of Australia: Awarded a contract to CANAC International of Montreal and BHP Engineering, a division of BHP Australia, to develop a master plan for an intermodal network.

Revenue Freight Carloadings

Commodity	August 15 week	August 8 week	August 1 week	July 25 week
Grain	25,333	25,221	25,543	26,531
Other farm products	1,038	1,015	1,078	1,428
Metallic Ores	19,344	18,577	17,387	17,720
Coal	129,114	124,917	127,209	123,558
Crushed stone, sand and gravel	16,404	15,526	16,526	14,708
Nonmetallic minerals	9,240	9,212	8,276	7,377
Grain mill products	10,210	10,554	9,760	9,603
Food and kindred products	9,358	9,354	9,139	9,439
Primary forest products	8,968	9,175	9,623	9,517
Lumber and wood products	5,564	5,345	6,271	5,699
Pulp, paper and allied products	10,490	10,346	10,782	10,820
Chemicals	28,169	27,383	28,260	27,727
Petroleum products	6,009	6,317	5,799	6,037
Stone, clay and glass products	9,913	9,933	9,615	9,864
Coke	5,895	5,799	5,531	5,680
Metals and products	9,436	8,783	10,093	9,446
Motor vehicles and equipment	16,288	13,440	11,110	12,080
Waste and scrap materials	8,838	8,265	8,504	8,265
All other carloads	6,896	7,033	7,769	7,401
Total cars loaded	**336,507**	**326,195**	**322,275**	**322,900**
% change from previous year	0.1	3.1	0.5	2.0

		%change
Cumulative total: 33 weeks	10,593,083	1.5

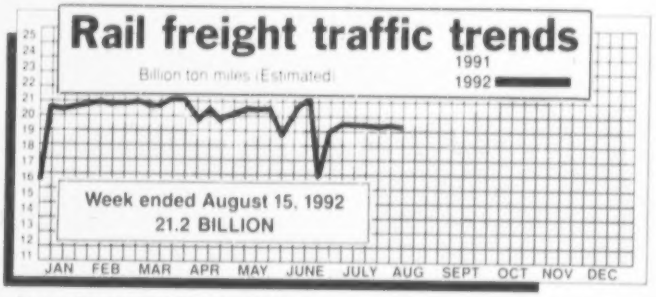
Estimated revenue ton-miles	21.2	20.5	20.3	20.4
% change from previous year	1.4	-1.9	0.5	0.5

Total:	1992	1991	%change
	667.3	644.7	3.5

Intermodal Traffic

	August 15	August 8	August 1	July 25
Trailers	64,916	65,529	66,049	53,610
Containers	68,525	66,449	38,107	68,763
Total	**133,441**	**131,978**	**134,156**	**132,373**
%change from previous year	6.0	7.9	6.6	5.4

		%change
Cumulative total: 33 weeks	4,110,394	7.7


Rail freight traffic trends
Billion ton miles (Estimated)
1991
1992
Week ended August 15, 1992
21.2 BILLION
JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC

Source: Association of American Railroads

Freight Car and Locomotive Deliveries	Delivered 2nd Quarter 1992	Delivered 2nd Quarter 1991	Ordered 2nd Quarter 1992	Ordered 2nd Quarter 1991	On Order and Undelivered As of July 1 1992	On Order and Undelivered As of July 1 1991
Freight Cars						
Built new by carbuilders	5,962	6,003	8,354	5,126	15,367	9,806
Built new in RR shops	0	0	0	0	0	0
Built new-total	5,962	6,003	8,354	5,126	15,367	9,806
Rebuilt (Class I only)	688	3,750	352	2,120	1,369	2,120
TOTAL	**6,650**	**6,753**	**8,706**	**7,246**	**16,736**	**11,926**
Locomotives (new & rebuilt)	74	111	—	—	100	66

Sources: Association of American Railroads and American Railway Car Institute

Lines on Labor

"Beware of those who sow fear instead of reason"

Gus Welty

Following two work stoppages and two Congressional interventions in two years, it is time to take a thorough look at the requirements, procedures, and processes of collective bargaining under the Railway Labor Act. So let's pay attention to one of the most eloquent and most reasoned discussions of the subject that has come along. It was presented by Patrick J. Cleary, member (and immediate past chairman) of the National Mediation Board at the 15th Annual Cooperstown Conference.

When the Act was passed in 1926, he pointed out, railroads were perhaps the nation's largest civilian employer, virtually the only player in intercity transportation, and a highly-regulated industry. Today, all that is changed. Employment has been drastically reduced, intercity transportation competition is fierce, and the industry has been largely deregulated.

In the face of this different scene, Pat Cleary asked, what do we do? He sees two options:

"First, we could do nothing. It's the easiest course. It's the course that has brought us to where we are today. Every two or three years we can have another showdown, another chess game, another strike, or lockout, or whatever you please. Every two or three years, Congress and the parties and the public—you remember the public—will complain that the system doesn't work, and in my opinion they'll be right. However, every two or three years we can count on the fact that Congressional attention spans are short, and we can return to our respective bunkers and brace ourselves for the next fray.

"In the meantime, we won't have to come to grips with forging a relationship with our workers. We won't have to get creative about solving our labor-management problems as other industries have, because our fate will ultimately not be in our own hands. Better to work on our relationship with Congress instead.

"There is a second option, and it's one we've not yet tried. It involves action, and it involves leadership. . . .

"The second option would be to finally take a step back—between wars, while the noise level is relatively low—and re-examine our purpose."

How might this happen? Cleary proposes creation of a panel with representatives from the Administration, from rail and airline labor and management, and from the academic community (people with experience inside and outside the two industries). He would add Congressional representation. The group "should be chaired by an academic above reproach."

Then, Pat Cleary said, a number of fundamental questions should be considered:

—Should railroads and airlines still be segregated from the rest of American industry in their treatment under current labor law? "I've said to a number of folks, 'Let's go stand in an intermodal yard and discuss the logic of the Act.' Maybe there is logic to it, maybe there's not, but this question needs to be re-examined. Do we as a society still want to place a heavy premium on the prevention of disruptions to commerce? Should the changes in these industries since 1926 require a change in the way we treat their labor relations?"

—If railroads and airlines still deserve separate treatment, should they both be treated the same? "There are vast differences in the operations of these two modes of transportation. Is there still logic to having an increasingly global airline industry under the same statute as the increasingly intermodal railroad industry, while trucking, shipping and transit are treated differently?"

—Should there be a right to strike? "There's been much hand-wringing over this topic, and the policy-makers need to come to agreement on it. If there is, de facto, no right to strike, then we should call a spade a spade and craft a system which takes this into account. If, on the other hand, all interested parties come to the judgment that the right to strike is real and should be preserved, then a different result would be commanded, in my view."

—Should there continue to be a right to secondary activity? "In my opinion, this question goes hand-in-hand with the right to strike, but if the parties decide there's no linkage, so be it. Remember, the Act talks in terms of 'threat' of shutdowns. If there are threats of secondary activity, it instantly creates a national situation. Everyone seems to believe that it's a silver bullet, to be used once and never again. If that's the case, then the parties who would use it and the parties who would be on the receiving end of it ought to sit down and discuss whether having it around is more trouble than it's worth. Without it, unions may have freer use of the strike, but at least some of them might remain more local in nature. Again, if the consensus of the group was that there should be no right to strike, then the issue of secondary activity is moot."

—What has been the effect of the Act on the competitiveness of these two industries? "This is a thorny issue which has been whispered about for decades, one that needs to be brought out in the open. Some carriers would say that the Act has forced them over the years to accept 'inefficiencies,'

CLASS I RAILROAD EMPLOYMENT

		% of change from:	
	June 1992	**June 1991**	**May 1992**
Executives, officials, and staff assistants	11,239	3.40	1.33
Professional and administrative	30,721	-5.93	-1.08
Maintenance of way and structures	44,913	-2.28	0.39
Maintenance of equipment and stores	39,592	1.05	-0.38
Transportation (other than train and engine)	11,142	-4.83	0.22
Transportation (train and engine)	62,072	-8.60	-0.94
Total–All Employees	**199,679**	**-4.13**	**-0.36**

Source: Interstate Commerce Commission-Office of Economics

1991 CLASS I RAILROAD WAGE STATISTICS

	No. of Employees →			Service Hours →			
	Middle of Month	Percent of Total	No. Paid During Month	Straight Time Paid For (1)	Overtime Paid For (2)	Other Allowances	Total
Executives, staff officials, and assistants	10,821	5.24	10,875	22,398,642	0	0	22,398,642
Professional and administrative	32,687	15.84	34,565	60,904,122	1,871,329	8,622,218	71,397,669
Maintenance of way and structures	43,206	20.93	46,377	79,106,407	6,834,699	11,683,448	97,624,554
Maintenance of equipment and stores	39,758	19.26	42,898	72,752,501	4,360,247	12,745,498	89,858,246
Transportation (other than train and engine)	11,632	5.64	12,728	20,824,939	1,311,561	3,985,043	26,121,543
Transportation (train and engine)	68,282	33.08	75,610	154,592,578	9,561,213	45,421,192	209,574,983
Total-All Groups	**206,386**	**100.00**	**223,053**	**410,579,189**	**23,939,049**	**82,457,399**	**516,975,637**

(1) Includes "straight time paid for" in train and engine service, and "time actually worked and paid at straight time rates" in other services.
(2) Includes "overtime" in train and engine service, and "overtime paid for at punitive rates" in other services.

Source: Interstate Commerce Commission-Office of Economics

meaning work rules, which have hurt their competitive posture. On the other hand, many unions would point out, especially in the airline industry, that it's the lowest-labor-cost carriers that are in the most dire financial straits. The issue should be addressed, with as much empirical data as can be supplied by all."

—Is there a better way? Pat Cleary thinks so, and "This is the way to find it. The process needs to be constructive, not just complaining about the status quo, but looking at alternatives to improve our current state of affairs."

Perhaps, he said, all concerned "will come to the decision that it ain't great but, like life, considering the alternative, it ain't so bad."

But a group such as he suggests could review other industries in the private and public sectors, and also examine how other countries treat the railroad and airline industries.

As for procedural steps, he calls for a six-to-12-month inquiry to provide the time "to think, to reflect, and to examine and discuss the options." He suggests that the Congress should not move to change the Act, absent agreement of the parties, who, if they can agree, "should lock arms and go to the Congress together—no amendments, no surprises." He also proposes that if a new way of doing things is developed, the parties "may want to test-drive it, if possible, by building in a review or requiring a reaffirmation by the parties after a decent interval, absent which we'd return to the Stone Age."

Then, Pat Cleary said something that, if it wasn't Churchillian, is about as close as you're going to come in this business:

"Beware of those who sow fear instead of reason. They will tell you not to get sucked into any such inquiry because the other side is poised to destroy you. I've heard it whispered by a small number on both sides, and it's insidious. There is no one more ignorant, in my opinion, than one who refuses to discuss, to air thoughts and differences, and to reason. I have found neither party is ready to destroy. All parties are troubled and concerned about the industries they serve. It is those reasonable men and women who will light the way for the rest. We need to get beyond the small and narrow band of folks who have an economic interest in the status quo, who have a stake in war, not peace."

Finally, Cleary told the Cooperstown Conference, in an inquiry, "All options should be considered, aired, critiqued, and we should come to closure on it. In the final analysis, it's just too important to these two industries, and to the nation's economy, for us to do nothing."

At the risk of alienating good friends who probably do feel comfortable with the status quo, let's just say that Pat Cleary's analysis and his proposal make more sense than anything that's been heard for years.

The opportunity is there. And now is the time to seize it. To wait is to invite a repeat of 1991 and 1992, perhaps with worse consequences, for labor, for management—and, most important, for the nation.

Railway Age

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Watching Washington

Congress weighs high speed funds; NHRIP on schedule

As Senate and House conferees try to hammer out agreements on transportation and energy-related legislation, high speed trains are getting their full share of attention.

Almost certain to be approved in conference is authorization of around $200 million in capital funding in the new fiscal year for Amtrak's Northeast High-Speed Rail Improvement Project (NHRIP). That's less than the $220 million Amtrak was seeking, but the shortfall won't have any serious impact on the projects timetable.

What Amtrak has in mind is 150-mph trains cutting one hour off the present running time between New York and Boston. Amtrak will begin testing Sweden's X-2000 in the Corridor early in 1993. Talks are continuing with the builders of Germany's ICE for possible later tests of that train. Amtrak points out that the ICE is capable of speeds exceeding 150 mph "and would permit significant travel time reductions south of North York," where the Corridor has fewer curves. France's TGV is no longer in the running for Corridor tests, owing to financial considerations. Amtrak hopes to place orders early in 1994 for 26 trainsets at an estimated cost of $450 million.

What lobbyists for the High Speed Rail/Maglev Association have in mind are faster, more exotic systems, like the 200-mph TGV network proposed for Texas. After some early setbacks, these high speed partisans, too, have been encouraged by recent actions in Congress. The best news for supporters of very high speed systems came when Senators Steve Simms (R-Idaho) and Bob Graham (D-Fla.) led a successful effort to amend the Energy Bill to give high speed rail bonds the same exemption from federal taxes that airports now enjoy. The amendment was adopted despite vigorous opposition from Southwest Airlines. But the 55-40 vote was sufficiently close that its high speed/maglev supporters would only say that they were "cautiously optimistic" that it would survive conference.

The Senate also voted to restore funding for a maglev prototype program which was authorized by last year's ISTEA (Intermodal Surface Transportation Efficiency Act) but not included in House authorization legislation. That also went to conference last month.

Strong Congressional support for this and other high speed measures, said one lobbyist, "appears to be prompting the Administration to reconsider its lack of support of high speed ground transportation development."

Right now, the only high speed program that has official "project" status is Amtrak's NHRIP, and it's proceeding on schedule.

The two main components of the project are infrastructure improvements, including electrification of the line between New Haven and Boston; and acquisition of passenger equipment capable of 150-mph operations.

For the electrification, Amtrak has awarded a $296 million contract to a consortium headed by Morrison Knudsen. In a recent progress report, Amtrak said construction will begin in July 1993 "assuming the availability of funds and completion of the environmental impact analysis now being undertaken by the Federal Railroad Administration." The contract is to be completed in late 1996. Amtrak will spend an additional $25 million to complete the electrification, including connections to electrical utilities.

To accommodate the catenary system, clearances will have to be increased under many of the nearly 300 structures that cross the Northeast Corridor between New Haven and Boston. Amtrak has been conducting probe tests under structures that provide insufficient clearance to determine whether it is better to undercut the railroad beneath the bridges or to raise the bridges. The former is preferred, since it would have the least impact on traffic using the bridges.

Noting that some railroads and shippers have expressed concern over the impact of electrification on the future use of double stack and triple level cars, Amtrak says it "will work closely with the freight railroads, shippers and the states to avoid impeding future freight needs and to coordinate wherever possible with clearance improvements funded by the freight carriers."

Transportation authorities in Massachusetts, Rhode Island, and Connecticut have expressed concern about the impact of the electrification on their own future plans. This is a situation Amtrak is also addressing.

"As Amtrak and commuter services grow over the next two decades," says the progress report, "some capacity improvements will be required to accommodate the increased number of passenger trains. Additional sidings, storage and maintenance facilities, and stations likely will be required over time. Amtrak's goal has been to identify these potential needs now so that the electrification system design can be adapted prior to construction. In addition, Amtrak has met with state officials to determine how best to address and undertake bridge clearance and grade crossing projects.

"As part of this process, Amtrak has developed a sophisticated state-of-the-art train simulation model that can determine the impact on schedules and potential conflicts from real life intercity and commuter train operations.

"The model can identify bottlenecks and locations where additional sidings should be located."

NHRIP Components

Project	Estimated cost ($ millions)
Electrification	341.2
Signal upgrade	93.0
Track improvements	112.1
Bridge/structures	62.6
Bridge clearance	32.6
Station/tunnel improvements	30.5
Maintenance and yard facilities	20.7
Shell fly-over	70.7
Stamford center island platform	38.1
New Haven track reconfiguration	20.7
Cab signals	3.2
Proj. management	61.5
Total infrastructure	**894.1**
Equipment testing	4.0
Equipment acquisition	450.0
Total equipment	**454.0**